

Message Text

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ACTION EUR-25

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TAGS: PFOR, SW

SUBJECT: NEW SWEDISH POLITICAL ALIGNMENT

REF: STOCKHOLM 2008

SUMMARY. SWEDEN'S POLITICAL LANDSCAPE HAS APPARENTLY
SUDDENLY SHIFTED, PRODUCING A PARTNERSHIP OF LIBERALS
AND SOCIAL DEMOCRATS AND GIVING PALME A SAFE MAJORITY
ON MOST IMPORTANT ISSUES. LIBERAL LEADER HELEN HAS
AGREED TO "COMPROMISE" WITH PALME ON MAJOR ECONOMIC
ISSUES SUCH AS TAX REFORM. BOURGEOIS BLOC, AT LEAST
FOR TIME BEING, IS BROKEN AND MODERATES TO RIGHT,
COMMUNISTS TO LEFT, ARE ISOLATED. CENTER PARTY IN
AWKWARD POSITION. IT IS TOO EARLY TO TELL WHETHER
THIS UNLIKELY LIAISON WILL MAKE A HAPPY MARRIAGE, BUT
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AT LEAST THE SLIM POSSIBILITIES OF ELECTION IN 1974

ARE GONE. END SUMMARY.

1. POLITICAL MANEUVERINGS IN THE LAST WEEKS HAVE DIVIDED THE OPPOSITION BLOC AND INSURED PALME OF A SAFE PARLIAMENTARY MAJORITY ON MOST IMPORTANT ISSUES. LIBERAL PARTY HAS THROWN IN ITS LOT WITH SOCDEMS BY VIRTUE OF REACHING ACCORD ON THE UPCOMING GOVERNMENT ECONOMIC PROGRAM. CENTER WAS UNABLE TO AGREE WITH SOCDEMS ON POSTPONING THE LOWERING OF PENSION AGE FROM 67 TO 65 YEARS, AND THUS FAILED TO REACH ACCORD WITH SOCDEMS. AS RESULT THERE HAS BEEN CREATED AN AD HOC GOVERNING ALLIANCE OF SOC DEM AND LIBERAL PARTIES.

2. THE SOCIAL DEMOCRATS (156 SEATS) AND THE LIBERALS (34) WILL BE ABLE TO MOBILIZE 190 VOTES OF THE 350 IN THE RIKSDAG AND THUS CAN MAKE SAFE MAJORITIES. IN ADDITION, THE 19 VPK MEMBERS ARE ALSO LIKELY TO VOTE WITH THE MAJORITY ON MOST ISSUES, RATHER THAN TO SIDE WITH THE CENTER (90) AND THE MODERATES (51). THIS MEANS THAT LIKELIHOOD OF A NEW ELECTION THIS YEAR FADES AWAY.

3. SOCIAL DEMOCRATIC/LIBERAL COMPROMISE INVOLVES EXPENDITURES OF SOME EIGHT BILLION KRONOR. LOWERING OF PENSION AGE AND A TAX REFORM ARE MAIN POINTS. HEALTH INSURANCE FEES WILL BE ABOLISHED, INSTEAD INCREASING THE EMPLOYERS' SOCIAL SECURITY TAXES. ORIGINALLY, THE SOCDEMS HAD WANTED TO INCREASE PAY ROLL TAX, A MOVE WHICH OPPOSED BY BOTH LIBERALS AND CENTER. AS A PART OF COMPROMISE, THE SOCDEMS AGREED TO SUPPORT A NUMBER OF OTHER PROPOSALS PRESENTED BY LIBERALS, THUS GIVING LIBERAL LEADERSHIP SOMETHING TO SHOW TO THEIR RANK AND FILE.

4. THE NEGOTIATIONS WHICH LED TO SOCIAL DEMOCRATIC/LIBERAL ACCORD GREW OUT OF SERIES OF HIGH LEVEL DINNER MEETINGS EARLY THIS MONTH, STARTING WITH REPRESENTATIVES OF EMPLOYEE AND EMPLOYER ASSOCIATIONS MEETING WITH, AMONG OTHERS, PRIME MINISTER PALME AND FINANCE MINISTER STRANG (REFTEL). PARTY LEADERS THEN MET WITH GOVERNMENT REPRESENTATIVES MAY 16 AND AT SECOND MEETING MAY 20 PALME LIMITED OFFICIAL USE

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PRESENTED PARTY LEADERS WITH FIVE QUESTIONS, DECLARING THAT IF ANSWERS WERE NOT CONDUCTIVE TO AGREEMENT, A NEW ELECTION WAS IN THE BOOKS. NEITHER CENTER NOR LIBERAL PARTIES ARE EAGER FOR AN ELECTION WITH POLLS SHOWING THE SOCIALIST BLOC ON THE UPSWING. THIS RATHER PER-EMPTORY QUESTIONNAIRE DEMANDED REPLY YES-OR-NO TO GOVERNMENT POSITIONS ON FIGHT AGAINST INFLATION, POSTPONEMENT OF PENSION REFORM, ACCEPTANCE OF A TAX COMMISSION PRO-

POSAL TO REDUCE MARGINAL TAXES AND FINANCING OF BOTH PRESENT AND ANTICIPATED REFORMS IN FUTURE.

5. LIBERALS, TO NO ONE'S SURPRISE, CAME CLOSE TO ANSWERING ALL FIVE QUESTIONS RIGHT, WHILE CENTER REACTION WAS SOMEWHAT MORE NEGATIVE THAN EXPECTED. MODERATES AND COMMUNISTS (VPK) EMERGED AS THE REAL RECALCITRANTS--AND THE QUIZ MASTER DISMISSED THEM. TALKS CONTINUED WITH JUST CENTER AND LIBERALS. CENTER LEADER FALLDIN BACKED OUT WHEN SOCDEMS AND LIBERALS AGREED ON A COMPROMISE THAT WOULD POSTPONE PENSION REFORM FOR HALF A YEAR. EARLY PENSION REFORM IS ARTICLE OF FAITH TO CENTER.

6. SOME COMMENTATORS CALL THIS SUDDEN REALIGNMENT HISTORIC, WHILE OTHERS, LIKE DAGENS NYHETER, RESERVE JUDGMENT--"LET THE FUTURE SHOW WHETHER THIS IS THE BEGINNING OF NEW ERA IN SWEDISH POLITICS." SOCDEM ARBETET OF MALMO CALLS THE COMPROMISE A TRIUMPH. "AT TIME OF INTERNATIONAL CRISES IT IS EXTREMELY GRATIFYING THAT SOCDEMS AND LIBERALS HAVE DEMONSTRATED THEIR RESPONSIBILITY AND RESOLUTION. IT IS MUCH TO CREDIT OF PALME AND HELEN, WHO ACTED IN BEST INTEREST OF THE PEOPLE," ARBETET SAID.

7. COMMENT: PALME HAS WON A CLEAR DIVIDE-AND-CONQUER VICTORY OVER HIS BOURGEOIS ADVERSARIES. THE QUESTION IS WHETHER THE OPPOSITION WILL EVEN ATTEMPT TO RE-FORM BEFORE 1976 ELECTION SEASON. SOCDEM-LIBERAL ACCORD IS NOT A COMPROMISE BUT A LIBERAL CAVE-IN. LIBERAL LEADER HELEN PRESUMABLY CREPT UNDER SOCDEM WING TO BUY TIME TO REBUILD LIBERAL FORTUNES. HE MAY HAVE FELT THAT BY ISOLATING CENTER HE COULD IMPROVE REBUILDING PROSPECTS. CENTER PARTY HAS, IN FACT, GOT ITSELF ISOLATED A BIT LIMITED OFFICIAL USE

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RIGHT OF CENTER, WHICH IS AN UNCOMFORTABLE PLACE. MODERATES, WHO WILL PROBABLY CONTINUE TO MAINTAIN OR INCREASE THEIR STRENGTH CAN NOW NO LONGER MANIPULATE A THREE-PARTY BOURGEOIS BLOC. THEY ARE AN ABLE, AGGRESSIVE BUT ISOLATED MINORITY. ON LEFT SIDE OF SPECTRUM, SOCDEMS NO LONGER ARE HOSTAGE TO VPK, WHICH WILL REMAIN NOISY BUT POWERLESS IN RIKSDAG. HOW LONG NEW SITUATION WILL PERTAIN WILL DEPEND ON HOW SOCDEM AND LIBERAL LEADERSHIPS JUDGE THEIR ALLIANCE TO BE WORKING. THERE WILL PROBABLY BE NO SERIOUS STOCKTAKING BEFORE THE END OF THIS YEAR. STRAUSZ-HUPE

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